

OKEMOS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2004

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Gary W. Brya
Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist

James R. Dedyne
Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr.
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Okemos Public Schools
Okemos, Michigan

August 20, 2004

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Okemos Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools as of June 30, 2004 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 20, 2004

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, on our consideration of Okemos Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and page 25, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Okemos Public Schools' basic financial statements. The additional information on pages 27 to 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mamer, Costenaro & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Okemos Public Schools District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the District's financial statements, which immediately follow this section. A comparative analysis with the prior year has been provided.

FINANCIAL HIGHLIGHTS

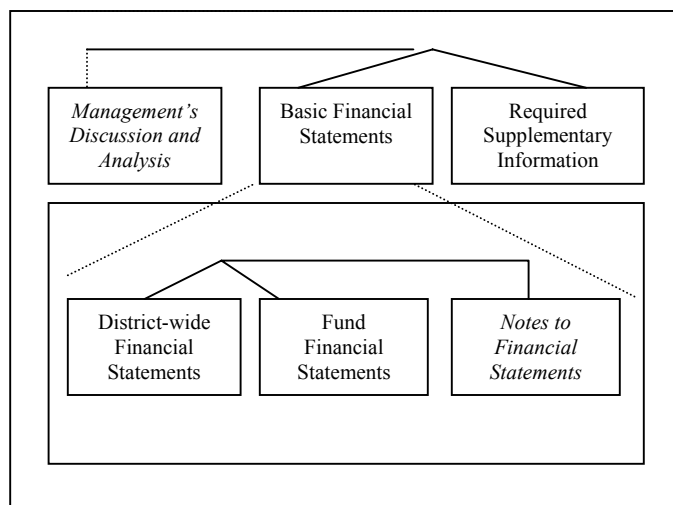
- The District's financial status remained stable. The District's overall revenues were \$46.6 million dollars.
- Total general fund revenues were \$38.1 million dollars. Revenues for the 2003-2004 school year decreased by (1.1)% from the previous year while expenditures decreased (2.0)% from the same period.
- The District reduced its outstanding long-term debt by \$740,845 or 1.0%.
- Enrollment declined slightly by 3.0 % or 127.5 students, reflecting a trend throughout the state of Michigan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

Figure A-1
Organization of Okemos Public
Schools' Annual Financial Report



Summary ↔ **Detail**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Okemos' funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and the long-term cash flow needs of the District.

In the district-wide financial statements, the District's activities:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state foundation aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and trust activities).

The District has two kinds of funds:

- Governmental funds – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) – The District’s *combined* net assets (deficit) was less on June 30, 2004, than the year before by \$804,712. The change was due primarily to cost controls implemented by the District.

A proactive approach to reducing expenditures was a significant contributor to the financial stability of the District, despite the fiscal challenges that faced the District during the school year.

Table A-3		
Okemos Public Schools' Net Assets		
	2004	2003
Current and other assets	\$ 14,327,116	\$ 14,222,000
Capital and other non-current assets	64,076,768	64,416,863
Total assets	78,403,884	78,638,863
Long-term debt outstanding	67,023,465	68,127,818
Other liabilities	12,285,208	12,220,546
Total liabilities	79,308,673	80,348,364
Net assets:		
Invested in capital assets, net of related debt	(4,114,653)	(4,061,155)
Restricted	1,343,001	524,176
Unrestricted	1,866,863	1,827,478
Total net assets (deficit)	\$ (904,789)	\$ (1,709,501)

Table A-4		
Changes in Okemos Public Schools' Net Assets		
	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 4,149,459	\$ 4,011,778
Federal and state categorical grants	697,764	626,161
General revenues:		
Property taxes	14,273,521	12,790,971
State aid - unrestricted	24,940,106	26,561,899
Ingham ISD	2,246,318	1,913,570
Other	265,514	235,171
Total revenues	<u>46,572,682</u>	<u>46,139,550</u>
Expenses:		
Instruction	20,653,958	21,994,470
Support services	14,869,281	13,643,025
Community services	2,589,345	2,632,676
Food services	1,413,419	1,379,440
Athletics	705,891	685,547
Interest on long-term debt	4,091,474	3,646,224
Unallocated depreciation	1,444,602	2,452,013
Total expenses	<u>45,767,970</u>	<u>46,433,395</u>
Increase (decrease) in net assets	<u>\$ 804,712</u>	<u>\$ (293,845)</u>

District Governmental Activities

The stability of the District's financial position can be credited to a focus on reducing expenditures, while attempting to limit impact on K-12 programming. The District's adjustment to various financial challenges imposed upon the District during the 2003-2004 school year was proactive and aggressive.

- Through a proactive planning process, administration identified areas to dramatically reduce expenditures. Approximately, \$2.3 million in reductions were identified and implemented District wide and in all budget areas. These areas included: athletics, central office, community education, elementary and secondary instruction, operations and maintenance, transportation, special education and media and technology.
- As part of the District's ongoing efforts to be fiscally responsible, the District implemented the "reorganization" of the elementary schools as a means to aggressively reduce expenditures. After researching the financial implications, as well as working with the community to identify and implement the most fiscally responsible plan, Edgewood Elementary School was closed beginning with the 2003-04 school year. This resulted in a reduction of approximately \$760,000 of expenditures, reflected in the total reduction of \$2.3 million.
- Okemos Public Schools maintained two niche programs in an effort to draw students into the District or recapture those children who may have gone to a private setting.

- The District successfully expanded its public Montessori program. It is the District's intent to continue to "grow the program", offering a unique approach to educating students that will draw families to Okemos Schools.
- The District was in its third year of the implementation of a Beginndergarten program. This program targeted a "unique" group of students who were attending private preschool and may not have entered the Okemos Public Schools for another year.
- The District continues to work with community leaders, collaboratively seeking alternative sources of revenue. In an effort to reduce the impact of budget reductions on K-12 programming, the Okemos Education Foundation sponsored "Okemos Cares", a community fund raising event. The Okemos community generously donated over \$200,000 to help finance programs that could no longer be funded through the general fund. A continued focus on creating additional revenue sources remains a District priority.
- An unpredictable reduction in revenue occurred during the 2003-04 school year. In December of 2003, the Governor implemented an executive order to cut funding to public schools in the amount of \$74 per FTE. This equated to a loss of \$300,873 to the Okemos Public Schools.

In an effort to respond to the reduction in revenue, the District identified further areas of reduction. These included:

- At the building level, as well as the executive administration level, administration reduced 20% of expenditures in specific areas for which they had spending discretion.
- Operation and maintenance identified enough reduction in expenditures to offset the increase in heating costs.

The District will continue to aggressively investigate and implement expenditure reductions, as well as revenue enhancements in 2004-05 in an effort to maintain a stable financial environment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined balances of \$5,812,923, a slight reduction as compared to 2003 ending fund balances of \$5,997,757.

General Fund Highlights

Over the course of the year, the District revised the annual operating budget twice. These budget amendments are:

- Changes in February, 2004 to account for final enrollment counts and changes in assumptions since the original budget was adopted. This also included: actual reflection of health insurance premium increases; finalization of staffing; change in State per pupil funding; actual expense related to increase of contracted services for AS400 support in the areas of accounting, payroll and account conversion, as required by the state.
- Changes in May, 2004 to account for: finalization of negotiating contracts with various employee groups; State reimbursement of funds for monies refunded by Okemos Public Schools to the county for Jackson National Life and other businesses that successfully appealed their level of taxation.

- The Business Department has been in a state of transition, since March of 2003. Upon the retirement of the Director of Finance, there was a realignment of existing administrative staff. The responsibilities of finance were assigned to the Director of Human Resources and the position became Deputy Superintendent. The District created the position of Director of Accounting Services, with the responsibility of managing the financial accounts. Beginning in January 2004 a consultant analyzed the functions and staffing of the business department. The department is in the process of implementing some of the recommendations, including adding a “staff accountant” and combining two existing positions. This would increase the level of skill within the department, but not increase staffing.

While the District’s final budget for the general fund anticipated a deficit (expenditures to exceed revenues) of \$318,505, the actual results were a \$179,975 deficit.

- Actual revenues were \$59,740 lower than expected, due largely to shortfalls in community services program revenue.
- Actual expenditures were \$251,582 below budget, due primarily to reductions in overall spending in response to the State of Michigan Executive Order reduction.

Capital Assets

By the end of 2004, the District had invested \$2 million in capital assets, including school building repairs and computer equipment. This amount represents a net decrease of \$62.4 million, or 96.9 percent, from last year. Total depreciation expense for the year exceeded \$2.5 million.

Table A-5 Okemos Public Schools' Capital Assets <i>(net of depreciation, in millions of dollars)</i>		
	2004	2003
Land and land improvements	\$ 8.2	\$ 8.5
Buildings and improvements	50.9	50.6
Equipment and furniture	4.3	4.7
Vehicles	0.5	0.6
Total	<u>\$ 63.9</u>	<u>\$ 64.4</u>

The District’s fiscal year 2005 capital budget anticipates spending another \$1.3 million for capital projects, principally to install flooring, roofs, asphalt, lighting, doors and HVAC systems.

Long-term Debt

At year-end the District had \$71.0 million in general obligation bonds and other long-term debt outstanding – a reduction of 1.4% percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

- The District continued to pay down its debt, retiring \$814,719 million of outstanding bonds.

SUMMARY

The District responded to reduced enrollments and the loss of funding in an aggressive manner. The proactive approach to the reduction of expenditures cause the financial status of the District to remain stable throughout the 2003-04 school year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.
- Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.
- The District continues to project declining student enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Deputy Superintendent Office, Okemos Public School District, 4406 N. Okemos Road, Okemos, Michigan 48864.

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental activities
	<hr/>
ASSETS	
CURRENT ASSETS:	
Cash	\$ 8,748,068
Investment	250,000
Receivables:	
Property taxes	254,999
Intergovernmental	4,771,316
Other	151,421
Prepaid items	30,572
Inventories	120,740
	<hr/>
TOTAL CURRENT ASSETS	14,327,116
	<hr/>
NONCURRENT ASSETS:	
Deferred charges	177,371
Capital assets	96,906,538
Less accumulated depreciation	(33,007,141)
	<hr/>
TOTAL NONCURRENT ASSETS	64,076,768
	<hr/>
 TOTAL ASSETS	 \$ 78,403,884
	<hr/> <hr/>

See notes to financial statements.

	Governmental activities
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 209,779
Accrued interest payable	200,558
Salaries and fringe benefits payable	3,725,431
Deferred revenues	211,932
State aid anticipation note	4,000,000
Current portion of long term obligations	3,780,000
Current portion of compensated absences	157,508
TOTAL CURRENT LIABILITIES	12,285,208
NONCURRENT LIABILITIES:	
Long-term obligations	64,818,348
Compensated absences	2,205,117
TOTAL NONCURRENT LIABILITIES	67,023,465
TOTAL LIABILITIES	79,308,673
NET ASSETS (DEFICIT):	
Investment in capital assets net of related debt	(4,114,653)
Restricted for trust activities	324,626
Restricted for debt service	1,018,375
Unrestricted	1,866,863
TOTAL NET ASSETS (DEFICIT)	(904,789)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 78,403,884

**OKEMOS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities				
Instruction	\$ 20,653,958	\$	\$ 391,520	\$ (20,262,438)
Support services	14,869,281	207,478	18,864	(14,642,939)
Community services	2,589,345	2,533,974	84,079	28,708
Food services	1,413,419	1,231,926	203,301	21,808
Athletics	705,891	176,081		(529,810)
Interest on long-term debt	4,091,474			(4,091,474)
Unallocated depreciation	1,444,602			(1,444,602)
Total governmental activities	<u>\$ 45,767,970</u>	<u>\$ 4,149,459</u>	<u>\$ 697,764</u>	<u>(40,920,747)</u>
General revenues				
Property taxes, levied for general purposes				7,303,475
Property taxes, levied for debt service				5,478,596
Property taxes, levied for capital projects				1,491,450
Investment earnings				108,453
State sources				24,940,106
Ingham ISD special education allocation				2,246,318
Other				157,061
Total general revenues				<u>41,725,459</u>
CHANGE IN NET ASSETS				804,712
NET ASSETS (DEFICIT), beginning of year				<u>(1,709,501)</u>
NET ASSETS (DEFICIT), end of year				<u>\$ (904,789)</u>

General fund	Other nonmajor governmental funds	Total governmental funds
\$ 7,017,363	\$ 1,730,705 250,000	\$ 8,748,068 250,000
204,455		204,455
4,766,030	5,286	4,771,316
117,601	34,914	152,515
809,934	675,876	1,485,810
30,572		30,572
103,002	17,738	120,740
<u>\$ 13,048,957</u>	<u>\$ 2,714,519</u>	<u>\$ 15,763,476</u>
\$ 144,103	\$	144,103
3,724,531	1,994	3,726,525
675,876	809,934	1,485,810
65,676		65,676
528,439		528,439
4,000,000		4,000,000
<u>9,138,625</u>	<u>811,928</u>	<u>9,950,553</u>
General fund	Other nonmajor governmental funds	Total governmental funds
\$	\$ 324,626	\$ 324,626
	1,218,933	1,218,933
30,572		30,572
	338,163	338,163
39,076		39,076
3,840,684	20,869	3,861,553
<u>3,910,332</u>	<u>1,902,591</u>	<u>5,812,923</u>
<u>\$ 13,048,957</u>	<u>\$ 2,714,519</u>	<u>\$ 15,763,476</u>
		\$ 5,812,923
	\$ 96,906,538 (33,007,141)	63,899,397
		(68,315,552)
		(2,362,625)
		(1,262,253)
		979,457
		316,507
		(200,558)
		50,544
		177,371
		<u>\$ (904,789)</u>

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OKEMOS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ 7,252,931	\$ 6,970,046	\$ 14,222,977
Community services	2,533,974		2,533,974
Interest	49,659	58,794	108,453
Food service sales		1,231,926	1,231,926
Athletics	176,081		176,081
Other	364,538		364,538
	<hr/>	<hr/>	<hr/>
Total local sources	10,377,183	8,260,766	18,637,949
State sources	25,280,251	40,880	25,321,131
Federal sources	226,952	162,421	389,373
Intermediate district and other transactions	2,246,318		2,246,318
	<hr/>	<hr/>	<hr/>
Total revenues	38,130,704	8,464,067	46,594,771
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Instruction	20,354,087		20,354,087
Support services	14,616,379		14,616,379
Community services	2,581,010		2,581,010
Athletics	705,891		705,891
School lunch		1,410,684	1,410,684
Capital outlay		2,264,300	2,264,300

	General fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):			
Debt service:			
Principal	\$	\$ 3,430,000	\$ 3,430,000
Interest		1,415,204	1,415,204
Miscellaneous		2,050	2,050
Total expenditures	<u>38,257,367</u>	<u>8,522,238</u>	<u>46,779,605</u>
DEFICIENCY OF EXPENDITURES OVER REVENUES	<u>(126,663)</u>	<u>(58,171)</u>	<u>(184,834)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in		53,312	53,312
Transfers out	<u>(53,312)</u>		<u>(53,312)</u>
Total other financing uses	<u>(53,312)</u>	<u>53,312</u>	
NET CHANGE IN FUND BALANCES	<u>(179,975)</u>	<u>(4,859)</u>	<u>(184,834)</u>
FUND BALANCES:			
Beginning of year	<u>4,090,307</u>	<u>1,907,450</u>	<u>5,997,757</u>
End of year	<u>\$ 3,910,332</u>	<u>\$ 1,902,591</u>	<u>\$ 5,812,923</u>

See notes to financial statements

**OKEMOS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balances total governmental funds **\$ (184,834)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities.

These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(2,547,536)
Capital outlay	2,219,265

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable beginning of the year	259,969
Accrued interest payable end of the year	(200,558)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortization in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Payment on debt	3,430,000
Amortization of premium on debt	252,500
Amortization of deferred issuance costs	(11,825)
Current year accretion on bonds	(2,735,680)
Amortization of deferred amount on bond refunding	(132,100)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Property tax revenue	50,544
Deferred revenue, beginning of the year	(389,141)
Deferred revenue, end of the year	316,507

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when due in the governmental funds:

Accrued severance benefits	551,475
Accrued compensated absences beginning of the year	2,288,751
Accrued compensated absences end of the year	(2,362,625)

Change in net assets of governmental activities	\$ 804,712
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OKEMOS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2004

	<u>Agency</u>
ASSETS	
Cash	\$ 519,505
Receivable - Okemos Public Schools	<u>65,676</u>
	<u><u>\$ 585,181</u></u>
LIABILITIES	
Liabilities:	
Due to student groups:	
Elementary	\$ 110,257
Business office	68,237
Middle school	190,232
High school	<u>216,455</u>
Total liabilities	<u><u>\$ 585,181</u></u>

OKEMOS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Okemos Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Okemos Public Schools (the "District") is governed by the Okemos Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and Dart gifted education fund in the special revenue funds.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The 2003 refunding debt service fund has a deficit of (\$117,816).

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

Sinking Funds - The Okemos Public Schools Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(l) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95. The capital projects sinking fund has a deficit of (\$247,136).

The capital projects fund includes capital project activities funded with qualified bonds issued after May 1, 1994. Beginning with the year of bond issuance, the District has reported the annual activity in the 2003 capital projects fund. The cumulative revenue and expenditures are as follows:

	2003 Technology fund
Revenue	\$ 6,142
Other financing sources - bond proceeds	\$ 975,000
Expenditures	\$ 396,844

For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2004, the foundation allowance was based on pupil membership counts taken in February and September of 2003.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2003 to August 2004. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2004, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.0000
Debt service fund - Homestead and non-homestead	5.5100
Capital projects funds (Sinking Fund) - Homestead and non-homestead	1.4951

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds).

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated Absences

The District's contracts generally provide for granting vacation or sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

The District adopted an early resignation severance benefit for the year ended June 30, 2003. Payments were made in January 2004. For the year ended June 30, 2004, the District recorded severance benefits for retired teachers in the year of retirement at the fund level.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and significant special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2004. The District does not consider these amendments to be significant.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK

The District utilizes pooled cash accounts for some of its funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$8,994,321 which included a \$250,000 certificate of deposit. The bank balance was \$8,801,811 of which \$201,688 was covered by federal depository insurance and \$8,600,123 was uninsured and uncollateralized.

Fiduciary fund balances are not included in the above balances which have a carrying amount of \$519,505. The bank balance was \$534,924 of which \$534,924 was uninsured and uncollateralized.

The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

A reconciliation of cash and investments as shown on the statement of net assets follows:

Cash	\$ 8,744,320
Petty cash	<u>3,748</u>
Total cash	8,748,068
Investment - certificate of deposit	<u>250,000</u>
Total cash and investment	<u><u>\$ 8,998,068</u></u>

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Assets, not being depreciated - land	\$ 5,263,984	\$	\$	\$ 5,263,984
Other capital assets:				
Land improvements	\$ 5,290,935	\$ 92,544		\$ 5,383,479
Buildings and improvements	68,428,381	1,750,224		70,178,605
Furniture and fixtures	6,136,133			6,136,133
Machinery and equipment	2,951,149			2,951,149
Computers and equipment	5,113,404	376,497		5,489,901
Transportation equipment	1,503,287			1,503,287
Subtotal	89,423,289	2,219,265		91,642,554
Accumulated depreciation:				
Land improvements	2,234,936	251,573		2,486,509
Buildings and improvements	17,848,123	1,444,602		19,292,725
Furniture and fixtures	3,395,004	226,728		3,621,732
Machinery and equipment	1,872,844	90,108		1,962,952
Computers and equipment	4,206,064	391,334		4,597,398
Transportation equipment	902,634	143,191		1,045,825
Total accumulated depreciation	30,459,605	2,547,536		33,007,141
Net other capital assets	58,963,684	(328,271)		58,635,413
Net capital assets	\$64,227,668	\$ (328,271)	\$	\$63,899,397

Depreciation for the fiscal year ended June 30, 2004 amounted to \$2,547,536. The District allocated depreciation to the various activities as follows:

Instruction	\$ 815,886
Support	278,713
Community Service	8,335
Unallocated	1,444,602
	<u>\$ 2,547,536</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Intergovernmental receivables at June 30, 2004 consist of the following:

	<u>Total</u>
State aid	\$ 4,532,279
State other - food service	5,286
Federal revenue	106,163
Intermediate school district	<u>127,588</u>
Total	<u><u>\$ 4,771,316</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 6 – NOTE PAYABLE

At June 30, 2004, the District has a note payable outstanding of \$4,000,000. The note has an interest rate of 1.03% and matures August 20, 2004. The District has \$8,617,563 of funds on deposit with financial institutions, which are included in cash on the statement of net assets to be applied against the \$4,000,000 note. The note is secured by the full faith and credit of the District as well as pledged state aid.

<u>Balance June 30, 3003</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2004</u>
<u><u>\$ 4,000,000</u></u>	<u><u>\$ 4,000,000</u></u>	<u><u>\$ 4,000,000</u></u>	<u><u>\$ 4,000,000</u></u>

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2004:

	Accumulated compensated absences	Bonded debt	Total
Balance, July 1, 2003	\$ 2,288,751	\$ 69,413,067	\$ 71,701,818
Additions	73,874	2,867,781	2,941,655
Deletions	<u> </u>	<u>(3,682,500)</u>	<u>(3,682,500)</u>
Balance, June 30, 2004	2,362,625	68,598,348	70,960,973
Less current portion	<u>(157,508)</u>	<u>(3,780,000)</u>	<u>(3,937,508)</u>
Total due after one year	<u><u>\$ 2,205,117</u></u>	<u><u>\$ 64,818,348</u></u>	<u><u>\$ 67,023,465</u></u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term debt currently outstanding is as follows:

1991 capital appreciation (serial) bonds due in annual installments of \$1,925,000 to \$2,275,000 from May 1, 2005 to May 1, 2006 with effective interest from 7.0% to 8.35% (maturity value \$7,080,000)	\$ 2,395,620	
Recorded appreciation	<u>1,315,143</u>	\$ 3,710,763
1993 capital appreciation (serial) bonds due in annual installments of \$6,325,000 to \$9,960,000 from May 1, 2012 to May 1, 2021 with effective interest at 6.45% to 6.55% (maturity value \$80,225,000)	17,321,722	
Recorded appreciation	<u>18,296,565</u>	35,618,287
1993 capital appreciation (serial) bonds due on May 1, 2007 with effective interest at 5.75% (maturity value \$2,420,000)	1,100,858	
Recorded appreciation	<u>940,644</u>	2,041,502
1999 general obligation bonds due in annual installments of \$305,000 to \$2,025,000 from May 1, 2005 through May 1, 2009 with interest at 4.25% to 4.70%.		3,705,000
1999 general obligation current interest (serial) bonds due in an annual installment of \$325,000 on May 1, 2005 with interest at 4.30%.		325,000
2001 energy bonds due in installments from \$190,000 to \$200,000 from May 1, 2005 to May 1, 2006 with interest at 3.40% to 3.50%.		390,000
2002 general obligation bonds due in installments of \$280,000 to \$670,000 from May 1, 2005 to May 1, 2008 with interest at 2.625% to 3.875%.		1,950,000

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – LONG-TERM DEBT (Continued)

2003 general obligation bonds due in installments of \$110,000 to \$5,875,000 from 2005 to 2019 with interest at 2.0% to 5.0%.	\$ 19,725,000
2003 general obligation bonds due in installments of \$150,000 to \$300,000 from 2005 to 2008 with interest at 2.5% to 2.75%.	850,000
Plus: premium on bond refunding	1,262,253
Less: deferred amount on bond refunding	<u>(979,457)</u>
Total general obligation debt	68,598,348
Obligation under contract for compensated absences	<u>2,362,625</u>
Total general long-term debt	<u><u>\$ 70,960,973</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2004 bonds outstanding and considered defeased were \$84,961,567.

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (Concluded)

The annual requirements to amortize debt outstanding as of June 30, 2004, including interest payments are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2005	\$ 3,780,000	\$ 1,203,348	\$ 4,983,348
2006	3,915,000	1,141,274	5,056,274
2007	3,860,000	1,088,577	4,948,577
2008	4,105,000	1,039,328	5,144,328
2009	4,665,000	853,432	5,518,432
2010 - 2014	31,900,000	1,254,619	33,154,619
2015 - 2019	42,130,000	147,331	42,277,331
2020 - 2021	19,435,000		19,435,000
	113,790,000	6,727,909	120,517,909
Unrealized appreciation	(45,474,448)		(45,474,448)
Premium amount on bond refunding	1,262,253		1,262,253
Deferred loss on bond refunding	(979,457)		(979,457)
Accumulated compensated absences	2,362,625		2,362,625
	<u>\$ 70,960,973</u>	<u>\$ 6,727,909</u>	<u>\$ 77,688,882</u>

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2004 are as follows:

Receivable fund		Payable fund	
General fund	\$ 194,500	Debt service 1991	\$ 38,257
		Debt service 1999 refunding	12,570
		Debt service 2002 refunding	25,857
		Debt service 2003 refunding	117,816
Debt service 1993	532,359		
Debt service 1994	127,469		
Debt service 1999 technology	5,464		
Debt service 2003 technology	56	General fund	665,348
General fund	524,480	Sinking fund	520,120
		Energy fund	4,360
2003 Technology	10,528	General fund	10,528
General fund	90,954	Food service fund	33,981
		Dart expendable trust fund	56,973
	<u>\$ 1,485,810</u>		<u>\$ 1,485,810</u>

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2003 were 12.99% of payroll since October 1, 2002. The contribution requirements of the plan members and the District are established and may be amended by the MPSERS Board of Trustee. The District contributions to MPSERS for the years ended June 30, 2004, 2003 and 2002 were approximately \$3,087,000, \$3,270,000, and \$3,020,000, respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

OKEMOS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceeded the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. This program is recorded in the general fund. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

Self-funded dental and vision insurance programs were approved by the Board of Education and implemented for support personnel. All plans have limits on amounts for expenditures that will be reimbursed. This program is recorded in the general fund. Any liability for incurred and unreported claims is not considered material.

Settlements have not exceeded coverage for each of the past three fiscal years. Changes in the balances of claims liabilities during the past three years have been immaterial.

NOTE 12 – TRANSFERS

The general fund transferred \$53,312 to capital projects energy bond fund.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to year-end, the District entered into an agreement to purchase a \$4,000,000 State aid note bearing interest at 1.57% and maturing August 19, 2005. The note is secured by the full faith and credit of the District as well as pledged state aid.

REQUIRED SUPPLEMENTARY INFORMATION

**OKEMOS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance with final budget - positive (negative)
REVENUES:				
Local sources	\$ 10,464,928	\$ 10,467,637	\$ 10,377,183	\$ (90,454)
State sources	25,616,415	25,263,670	25,280,251	16,581
Federal sources	220,151	256,137	226,952	(29,185)
Intermediate district and other transaction:	2,086,731	2,203,000	2,246,318	43,318
Total revenues	38,388,225	38,190,444	38,130,704	(59,740)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	16,949,137	16,710,960	16,628,084	82,876
Added needs	4,422,875	3,741,919	3,726,003	15,916
Total instruction	21,372,012	20,452,879	20,354,087	98,792
Support services:				
Pupil	1,407,267	2,304,712	2,332,081	(27,369)
Instruction staff	1,640,800	1,617,285	1,573,096	44,189
General administratior	707,787	708,321	708,245	76
School administratior	2,474,887	2,367,560	2,365,114	2,446
Business	1,792,226	1,911,017	1,873,364	37,653
Operations and maintenance	4,372,086	4,373,864	4,228,589	145,275
Transportation	755,411	778,016	768,831	9,185
Central	374,260	381,787	392,434	(10,647)
Other support services	71,867	393,614	374,625	18,989
Total support services	13,596,591	14,836,176	14,616,379	219,797
Community services:	2,491,898	2,550,616	2,581,010	(30,394)
Athletics	669,947	669,278	705,891	(36,613)
Total expenditures	38,130,448	38,508,949	38,257,367	251,582
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	257,777	(318,505)	(126,663)	191,842
OTHER FINANCING SOURCES (USES):				
Transfers out			(53,312)	(53,312)
NET CHANGE IN FUND BALANCES	<u>\$ 257,777</u>	<u>\$ (318,505)</u>	<u>(179,975)</u>	<u>\$ 138,530</u>
FUND BALANCES, beginning of year			4,090,307	
FUND BALANCES, end of year			<u>\$ 3,910,332</u>	

ADDITIONAL INFORMATION

**OKEMOS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2004**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
ASSETS				
ASSETS:				
Cash	\$ 130,505	\$ 748,085	\$ 852,115	\$ 1,730,705
Investment	250,000			250,000
Receivables:				
Intergovernmental	5,286			5,286
Other	34,914			34,914
Due from other funds		665,348	10,528	675,876
Inventory	17,738			17,738
TOTAL ASSETS	<u>\$ 438,443</u>	<u>\$ 1,413,433</u>	<u>\$ 862,643</u>	<u>\$ 2,714,519</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Salaries and fringe benefits payable	\$ 1,994	\$	\$	\$ 1,994
Due to other funds	90,954	194,500	524,480	809,934
TOTAL LIABILITIES	<u>92,948</u>	<u>194,500</u>	<u>524,480</u>	<u>811,928</u>
FUND BALANCES:				
Reserved for:				
Trust activities	324,626			324,626
Debt service		1,218,933		1,218,933
Capital outlay			338,163	338,163
Total reserved	324,626	1,218,933	338,163	1,881,722
Undesignated	20,869			20,869
TOTAL FUND BALANCES	<u>345,495</u>	<u>1,218,933</u>	<u>338,163</u>	<u>1,902,591</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 438,443</u>	<u>\$ 1,413,433</u>	<u>\$ 862,643</u>	<u>\$ 2,714,519</u>

OKEMOS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2004

	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$	\$ 5,478,596	\$ 1,491,450	\$ 6,970,046
Interest	15,270	33,511	10,013	58,794
Food service sales	1,231,926			1,231,926
Total local sources	1,247,196	5,512,107	1,501,463	8,260,766
State sources	40,880			40,880
Federal sources	162,421			162,421
Total revenues	1,450,497	5,512,107	1,501,463	8,464,067
EXPENDITURES:				
School lunch	1,410,684			1,410,684
Capital outlay	2,735		2,261,565	2,264,300
Debt service:				
Principal		3,250,000	180,000	3,430,000
Interest		1,395,009	20,195	1,415,204
Miscellaneous		2,050		2,050
Total expenditures	1,413,419	4,647,059	2,461,760	8,522,238
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,078	865,048	(960,297)	(58,171)
OTHER FINANCING SOURCES:				
Transfers in			53,312	53,312
Total other financing sources:			53,312	53,312
NET CHANGE IN FUND BALANCES	37,078	865,048	(906,985)	(4,859)
FUND BALANCES:				
Beginning of year	308,417	353,885	1,245,148	1,907,450
End of year	\$ 345,495	\$ 1,218,933	\$ 338,163	\$ 1,902,591

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
LOCAL SOURCES:			
Property taxes	\$ 7,338,379	\$ 7,252,931	\$ (85,448)
Community services	2,679,674	2,533,974	(145,700)
Interest	50,000	49,659	(341)
Athletics	166,800	176,081	9,281
Other	232,784	364,538	131,754
	<u>10,467,637</u>	<u>10,377,183</u>	<u>(90,454)</u>
STATE SOURCES:			
State aid	25,263,670	25,280,251	16,581
FEDERAL SOURCES:			
Title I	164,454	113,971	(50,483)
Other grants	91,683	112,981	21,298
	<u>256,137</u>	<u>226,952</u>	<u>(29,185)</u>
INTERMEDIATE DISTRICT TRANSACTIONS:			
Intermediate school district	2,203,000	2,246,318	43,318
	<u>2,203,000</u>	<u>2,246,318</u>	<u>43,318</u>
TOTAL REVENUES	<u><u>\$ 38,190,444</u></u>	<u><u>\$ 38,130,704</u></u>	<u><u>\$ (59,740)</u></u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT:			
INSTRUCTION:			
Basic programs:			
Elementary:			
Salaries:			
Faculty	\$ 4,989,695	\$ 4,995,286	\$ (5,591)
Reserve faculty	93,529	88,570	4,959
Employee insurance	719,157	734,248	(15,091)
Retirement	657,065	638,668	18,397
FICA	386,957	386,111	846
Travel	10,000	11,299	(1,299)
Contracted services		2,145	(2,145)
Publications	62,000	57,722	4,278
Supplies	87,740	96,028	(8,288)
Textbooks	34,577	38,905	(4,328)
Capital outlay	9,773	21,508	(11,735)
	<u>7,050,493</u>	<u>7,070,490</u>	<u>(19,997)</u>
Total elementary			
Middle school:			
Faculty salaries	3,078,617	3,073,564	5,053
Employee insurance	446,349	456,937	(10,588)
Retirement	399,913	382,670	17,243
FICA	235,515	230,070	5,445
Travel	1,000	286	714
Publications	40,000	45,411	(5,411)
Supplies	110,720	50,633	60,087
Textbooks	13,968	12,763	1,205
	<u>4,326,082</u>	<u>4,252,334</u>	<u>73,748</u>
Total middle school			
High school:			
Salaries:			
Faculty	3,637,926	3,637,433	493
Extra duty	56,280	70,683	(14,403)
Reserve faculty	7,875		7,875
Employee insurance	591,341	618,260	(26,919)
Retirement	470,185	471,071	(886)
FICA	276,899	281,211	(4,312)

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
INSTRUCTION (Continued):			
Basic programs (Concluded):			
High school (Concluded):			
Travel	\$ 100	\$ 213	\$ (113)
Contracted services	132,658	80,008	52,650
Supplies	82,664	119,751	(37,087)
Textbooks	19,714	19,347	367
Capital outlay	58,743	7,283	51,460
	<u>5,334,385</u>	<u>5,305,260</u>	<u>29,125</u>
Total high school			
	<u>5,334,385</u>	<u>5,305,260</u>	<u>29,125</u>
Total basic programs	<u>16,710,960</u>	<u>16,628,084</u>	<u>82,876</u>
Added needs:			
Special education:			
Salaries:			
Faculty	1,483,930	1,538,025	(54,095)
Teacher aides	307,545	242,859	64,686
Reserve faculty	44,500	62,684	(18,184)
Employee insurance	341,950	329,317	12,633
Retirement	238,522	263,933	(25,411)
FICA	140,468	152,186	(11,718)
Travel and conferences	5,000	3,576	1,424
Contracted services	25,000	50,754	(25,754)
Supplies	9,740	16,751	(7,011)
Textbooks	1,000		1,000
	<u>2,597,655</u>	<u>2,660,085</u>	<u>(62,430)</u>
Total special education			
	<u>2,597,655</u>	<u>2,660,085</u>	<u>(62,430)</u>
Compensatory education:			
Salaries:			
Faculty	597,140	649,125	(51,985)
Teacher aides	151,553	80,885	70,668
Reserve faculty	2,250	2,275	(25)
Employee insurance	74,245	76,682	(2,437)
Retirement	90,571	87,320	3,251
FICA	47,251	51,702	(4,451)
Contracted services	38,860	39,777	(917)
Supplies	21,099	5,151	15,948
	<u>1,022,969</u>	<u>992,917</u>	<u>30,052</u>
Total compensatory education			
	<u>1,022,969</u>	<u>992,917</u>	<u>30,052</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
INSTRUCTION (Concluded):			
Added needs:			
Gifted programs:			
Salaries	\$ 45,829	\$ 56,173	\$ (10,344)
Employee insurance	5,770	3,606	2,164
Retirement	5,770	7,078	(1,308)
FICA	3,506	4,324	(818)
Travel	300	320	(20)
Supplies		1,500	(1,500)
Capital outlay	60,120		60,120
	<u>121,295</u>	<u>73,001</u>	<u>48,294</u>
Total gifted programs	121,295	73,001	48,294
Total added needs	<u>3,741,919</u>	<u>3,726,003</u>	<u>15,916</u>
TOTAL INSTRUCTION	<u>20,452,879</u>	<u>20,354,087</u>	<u>98,792</u>
SUPPORT SERVICES:			
Pupil:			
Guidance services:			
Salaries:			
Counselors	831,595	867,778	(36,183)
Clerical	25,883	26,570	(687)
Employee insurance	132,982	117,224	15,758
Retirement	111,200	114,695	(3,495)
FICA	66,514	68,521	(2,007)
Supplies	3,800	2,544	1,256
	<u>1,171,974</u>	<u>1,197,332</u>	<u>(25,358)</u>
Total guidance services	1,171,974	1,197,332	(25,358)
Special education support:			
Psychological services:			
Salaries	193,717	194,530	(813)
Employee insurance	30,313	25,575	4,738
Retirement	25,164	24,897	267
FICA	14,819	14,846	(27)
Travel and conference	1,500	720	780
Supplies	5,000	5,403	(403)
Speech pathology and audiology:			
Salaries	245,011	239,439	5,572
Employee insurance	40,417	34,770	5,647
Retirement	31,827	30,620	1,207

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
SUPPORT SERVICES (Continued):			
Pupil (Continued):			
Special education support (Continued):			
Speech pathology and audiology (Concluded):			
FICA	\$ 18,743	\$ 18,273	\$ 470
Travel and conference	2,100	1,102	998
Supplies	1,500	1,500	
Social work services:			
Salaries	162,910	179,628	(16,718)
Employee insurance	23,800	25,813	(2,013)
Retirement	21,162	23,005	(1,843)
FICA	12,462	13,862	(1,400)
Travel and conference	1,300	285	1,015
Supplies	300	208	92
Teacher consultant:			
Salaries	54,810	62,332	(7,522)
Employee insurance	8,120	6,347	1,773
Retirement	7,120	8,016	(896)
FICA	4,193	4,821	(628)
Total special education support	<u>906,288</u>	<u>915,992</u>	<u>(9,704)</u>
Other pupil services:			
Salaries	187,591	177,614	9,977
Employee insurance			
Retirement	24,408	20,917	3,491
FICA	14,351	12,342	2,009
Contracted services		7,884	(7,884)
Supplies	100		100
Total other pupil services	<u>226,450</u>	<u>218,757</u>	<u>7,693</u>
Total pupil	<u>2,304,712</u>	<u>2,332,081</u>	<u>(27,369)</u>
Instructional staff:			
Curriculum improvement:			
Salaries:			
Faculty	145,723	149,814	(4,091)
Clerical	45,675	46,546	(871)
Employee insurance	22,040	23,720	(1,680)
Retirement	24,863	23,711	1,152
FICA	14,642	13,065	1,577

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
SUPPORT SERVICES (Continued):			
Instructional staff (Continued):			
Curriculum improvement (Concluded):			
Contracted services	\$ 25,500	\$ 15,514	\$ 9,986
Travel and conferences	71,449	24,528	46,921
Textbooks	44,080	101,639	(57,559)
Supplies	42,280	22,338	19,942
Program development	45,811	25,953	19,858
	<u>482,063</u>	<u>446,828</u>	<u>35,235</u>
 Total curricular improvement			
	<u>482,063</u>	<u>446,828</u>	<u>35,235</u>
 Library:			
Salaries	459,776	415,093	44,683
Employee insurance	64,823	80,929	(16,106)
Retirement	59,724	53,125	6,599
FICA	35,173	32,260	2,913
Contracted services	3,500	3,156	344
IMC books	25,000	44,024	(19,024)
Software	10,000		10,000
Periodicals	6,000		6,000
Supplies	18,750	16,916	1,834
Miscellaneous	4,000	3,996	4
Contracted services - audio visual	18,000	17,019	981
Supplies - audio visual	13,750	14,202	(452)
	<u>718,496</u>	<u>680,720</u>	<u>37,776</u>
 Total library			
	<u>718,496</u>	<u>680,720</u>	<u>37,776</u>
 Supervision and direction:			
Salaries:			
Directors	98,233	95,807	2,426
Clerical	40,288	36,403	3,885
Employee insurance	36,260	37,170	(910)
Retirement	17,994	16,374	1,620
FICA	10,597	9,601	996
Postage	500	2,005	(1,505)
Contracted services	30,000	57,026	(27,026)
Travel and conferences	1,500	47	1,453
Supplies	6,400	3,823	2,577
	<u>241,772</u>	<u>258,256</u>	<u>(16,484)</u>
 Total supervision and direction			
	<u>241,772</u>	<u>258,256</u>	<u>(16,484)</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
SUPPORT SERVICES (Continued):			
Instructional staff (Concluded):			
Other instructional services:			
Salaries - area coordinators	\$ 128,270	\$ 139,289	\$ (11,019)
Employee insurance	20,209	19,325	884
Retirement	16,662	17,881	(1,219)
FICA	9,813	10,797	(984)
	<u>174,954</u>	<u>187,292</u>	<u>(12,338)</u>
Total other instructional services	<u>174,954</u>	<u>187,292</u>	<u>(12,338)</u>
Total instructional staff	<u>1,617,285</u>	<u>1,573,096</u>	<u>44,189</u>
General administration:			
Board of Education:			
Salaries	1,050		1,050
Contracted services	148,200	163,695	(15,495)
Travel	4,000	2,813	1,187
Association fees	5,500	9,187	(3,687)
	<u>158,750</u>	<u>175,695</u>	<u>(16,945)</u>
Total Board of Education	<u>158,750</u>	<u>175,695</u>	<u>(16,945)</u>
Executive administration:			
Salaries:			
Administrators	260,987	281,344	(20,357)
Clerical	96,006	79,739	16,267
Employee insurance	50,791	51,478	(687)
Retirement	46,375	44,735	1,640
FICA	27,312	22,220	5,092
Contracted services	20,000	22,293	(2,293)
Travel and conferences	8,000	2,726	5,274
Postage	15,000	16,946	(1,946)
Advertising	2,500	5,070	(2,570)
Publications	5,000	584	4,416
Office supplies	4,000	1,935	2,065
Miscellaneous	13,600	3,480	10,120
	<u>549,571</u>	<u>532,550</u>	<u>17,021</u>
Total executive administration	<u>549,571</u>	<u>532,550</u>	<u>17,021</u>
Total general administration	<u>708,321</u>	<u>708,245</u>	<u>76</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
SUPPORT SERVICES (Continued):			
School administration (Concluded):			
Office of the principal:			
Salaries:			
Principals	\$ 1,110,193	\$ 1,100,400	\$ 9,793
Clerical	498,413	547,832	(49,419)
Employee insurance	290,299	296,930	(6,631)
Retirement	208,957	197,432	11,525
FICA	123,058	121,824	1,234
Travel and conferences	15,000	105	14,895
Postage	48,000	40,110	7,890
Contracted services	27,000	24,605	2,395
Supplies	33,600	22,156	11,444
Miscellaneous	13,040	13,720	(680)
	<u>2,367,560</u>	<u>2,365,114</u>	<u>2,446</u>
Total school administration			
Business:			
Fiscal services:			
Salaries:			
Administrator	62,930	61,721	1,209
Clerical	130,956	146,969	(16,013)
Employee insurance	47,832	28,734	19,098
Retirement	25,187	26,396	(1,209)
FICA	14,832	16,008	(1,176)
Travel and conferences	2,000	3,573	(1,573)
Contracted services	90,000	89,968	32
Supplies	12,000	8,763	3,237
Association fees	1,200	9,164	(7,964)
	<u>386,937</u>	<u>391,296</u>	<u>(4,359)</u>
Total fiscal services			
Internal and other business services:			
Salaries	298,844	274,838	24,006
Employee insurance	98,425	130,417	(31,992)
Retirement	38,819	27,282	11,537
FICA	22,862	29,649	(6,787)
Contracted services	94,500	96,867	(2,367)
Travel and conferences	3,000		3,000
Supplies	32,000	32,236	(236)
Other supplies	60,000	74,604	(14,604)

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
SUPPORT SERVICES (Continued):			
Business (Concluded):			
Internal and other business services (Concluded):			
Insurance	\$ 90,200	\$ 99,188	\$ (8,988)
Retirement stipend reserve	540,000	599,000	(59,000)
Summer tax collection	3,390		3,390
Interest	131,940	56,200	75,740
Miscellaneous	24,100	13,474	10,626
Capital outlay	86,000	48,313	37,687
	<u>1,524,080</u>	<u>1,482,068</u>	<u>42,012</u>
Total internal and other business services			
	<u>1,911,017</u>	<u>1,873,364</u>	<u>37,653</u>
Total business			
Operation and maintenance of plant:			
Salaries:			
Supervisor	126,875	129,600	(2,725)
Staff	1,673,072	1,630,519	42,553
Employee insurance	464,408	464,188	220
Retirement	233,813	225,893	7,920
FICA	137,696	135,814	1,882
Travel and conferences	1,000	1,609	(609)
Telephone	135,000	112,628	22,372
Utilities	1,112,000	1,055,966	56,034
Contracted services	215,000	206,061	8,939
Supplies	250,000	266,311	(16,311)
Capital outlay	25,000		25,000
	<u>4,373,864</u>	<u>4,228,589</u>	<u>145,275</u>
Total operation and maintenance of plant			
Pupil transportation services:			
Salaries:			
Supervisor	60,381	61,651	(1,270)
Clerical	8,919	7,862	1,057
Bus drivers	318,435	344,841	(26,406)
Garage employees	39,331	40,592	(1,261)
Employee insurance	118,808	88,731	30,077
Retirement	55,613	90,583	(34,970)
FICA	32,752	35,042	(2,290)
Travel and conferences	4,000	752	3,248
Contracted services	7,000	9,994	(2,994)
Supplies	118,277	85,240	33,037

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Continued):			
SUPPORT SERVICES (Concluded):			
Pupil transportation services (Concluded):			
Insurance	\$ 12,700	\$	\$ 12,700
Office supplies	1,800	1,455	345
Capital outlay		2,088	(2,088)
	<u>778,016</u>	<u>768,831</u>	<u>9,185</u>
Total pupil transportation services			
Central:			
Staff services:			
Salaries		3,614	(3,614)
Employee insurance		262	(262)
Retirement		450	(450)
FICA		277	(277)
Data processing services:			
Salaries	151,496	161,117	(9,621)
Employee insurance	32,522	36,577	(4,055)
Retirement	19,679	20,055	(376)
FICA	11,590	12,624	(1,034)
Data processing services	132,500	127,440	5,060
Supplies	30,000	28,796	1,204
Travel and conference	4,000	1,222	2,778
	<u>381,787</u>	<u>392,434</u>	<u>(10,647)</u>
Total central			
Other:			
Discretionary funds building	33,614	14,147	19,467
Capital outlay		252	(252)
Other	360,000	360,226	(226)
	<u>393,614</u>	<u>374,625</u>	<u>18,989</u>
Total other			
TOTAL SUPPORT SERVICES	<u>14,836,176</u>	<u>14,616,379</u>	<u>219,797</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
CURRENT (Concluded):			
COMMUNITY SERVICES:			
Salaries	\$ 1,541,369	\$ 1,555,741	\$ (14,372)
Employee insurance	244,125	255,516	(11,391)
Retirement	199,095	196,426	2,669
FICA	117,253	118,512	(1,259)
Travel and conference	14,000	5,973	8,027
Postage	14,500	6,902	7,598
Contracted services	116,450	134,098	(17,648)
Publications	37,050	31,782	5,268
Supplies	124,474	108,603	15,871
Telephone	7,000	14,000	(7,000)
Transportation	6,250	8,422	(2,172)
Field trips	81,600	11,382	70,218
Miscellaneous	27,950	122,301	(94,351)
Capital outlay	19,500	11,352	8,148
TOTAL COMMUNITY SERVICES	<u>2,550,616</u>	<u>2,581,010</u>	<u>(30,394)</u>
ATHLETICS:			
Salaries:			
Director	84,957	87,969	(3,012)
Coaches	370,042	374,894	(4,852)
Secretary	26,390	23,729	2,661
Employee insurance	25,185	23,004	2,181
Retirement	63,254	61,914	1,340
FICA	37,250	37,423	(173)
Contracted services	53,000	53,319	(319)
Travel and conferences	7,200	7,197	3
Supplies	2,000	31,142	(29,142)
Miscellaneous		5,300	(5,300)
TOTAL ATHLETICS	<u>669,278</u>	<u>705,891</u>	<u>(36,613)</u>
TOTAL EXPENDITURES	<u><u>\$ 38,508,949</u></u>	<u><u>\$ 38,257,367</u></u>	<u><u>\$ 251,582</u></u>

**OKEMOS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
with comparative totals for June 30, 2003**

	School Lunch Fund	Dart Gifted Education Fund	Total	
			2004	2003
ASSETS				
Cash	\$	\$ 130,505	\$ 130,505	\$ 116,411
Investments		250,000	250,000	250,000
Receivables:				
Intergovernmental	5,286		5,286	25,626
Other	33,820	1,094	34,914	15,419
Inventory	17,738		17,738	16,527
Total assets	<u>\$ 56,844</u>	<u>\$ 381,599</u>	<u>\$ 438,443</u>	<u>\$ 423,983</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and fringe benefits payable	\$ 1,994	\$	\$ 1,994	\$ 8,985
Due to other funds	33,981	56,973	90,954	106,581
Total liabilities	<u>35,975</u>	<u>56,973</u>	<u>92,948</u>	<u>115,566</u>
Fund balances (deficit):				
Reserved - trust activities		324,626	324,626	309,356
Unreserved and undesignated (deficit)	20,869		20,869	(939)
Total fund balances	<u>20,869</u>	<u>324,626</u>	<u>345,495</u>	<u>308,417</u>
Total liabilities and fund balances	<u>\$ 56,844</u>	<u>\$ 381,599</u>	<u>\$ 438,443</u>	<u>\$ 423,983</u>

OKEMOS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
with comparative totals for the year ended June 30, 2003

	School Lunch Fund	Dart Gifted Education Fund	2004	2003
REVENUES:				
Food sales	\$ 1,231,926	\$	\$ 1,231,926	\$ 1,214,894
Federal sources	162,421		162,421	121,081
State sources	40,880		40,880	24,420
Interest		15,270	15,270	13,809
	<u>1,435,227</u>	<u>15,270</u>	<u>1,450,497</u>	<u>1,374,204</u>
EXPENDITURES:				
Salaries and wages	541,765		541,765	562,677
Employee benefits	105,251		105,251	74,464
Supplies and other expenses	118,189		118,189	61,728
Food costs	645,479		645,479	680,571
Capital outlay	2,735		2,735	14,198
Other				3,823
	<u>1,413,419</u>		<u>1,413,419</u>	<u>1,397,461</u>
NET CHANGE IN FUND BALANCES	<u>21,808</u>	<u>15,270</u>	<u>37,078</u>	<u>(23,257)</u>
FUND BALANCES, beginning of year	<u>(939)</u>	<u>309,356</u>	<u>308,417</u>	<u>331,674</u>
FUND BALANCES, end of year	<u>\$ 20,869</u>	<u>\$ 324,626</u>	<u>\$ 345,495</u>	<u>\$ 308,417</u>

**OKEMOS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
with comparative totals for June 30, 2003**

									Totals	
ASSETS	1991	1993	1994	Refunding 1999	Technology 1999	Refunding 2002	Refunding 2003	Technology 2003	2004	2003
Cash	\$ 52,231	\$ 324,876	\$ 11,938	\$ 109,670	\$ 10,204	\$ 180,944	\$	\$ 58,222	\$ 748,085	\$ 330,274
Due from other funds		532,359	127,469		5,464			56	665,348	1,057,656
	<u>\$ 52,231</u>	<u>\$ 857,235</u>	<u>\$ 139,407</u>	<u>\$ 109,670</u>	<u>\$ 15,668</u>	<u>\$ 180,944</u>	<u>\$</u>	<u>\$ 58,278</u>	<u>\$ 1,413,433</u>	<u>\$ 1,387,930</u>
LIABILITIES AND FUND BALANCES (DEFICIT)										
Liabilities:										
Due to other funds	\$ 38,257	\$	\$	\$ 12,570	\$	\$ 25,857	\$ 117,816	\$	\$ 194,500	\$ 1,034,045
Fund balances (deficit):										
Reserved for debt service	13,974	857,235	139,407	97,100	15,668	155,087	(117,816)	58,278	1,218,933	353,885
	<u>\$ 52,231</u>	<u>\$ 857,235</u>	<u>\$ 139,407</u>	<u>\$ 109,670</u>	<u>\$ 15,668</u>	<u>\$ 180,944</u>	<u>\$</u>	<u>\$ 58,278</u>	<u>\$ 1,413,433</u>	<u>\$ 1,387,930</u>

OKEMOS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
with comparative totals for the year ended June 30, 2003

	Debt service funds							Totals		
	1991	1993	1994	Refunding 1999	Technology 1999	Refunding 2002	Refunding 2003	Technology 2003	2004	2003
REVENUES:										
Local sources:										
Property taxes	\$ 2,137,746	\$	\$ 387,777	\$ 348,006	\$ 308,233	\$ 1,143,445	\$ 944,586	\$ 208,803	\$ 5,478,596	\$ 4,509,032
Interest on investments	8,321	739	2,734	9,352	2,500	9,865			33,511	34,861
Total revenues	2,146,067	739	390,511	357,358	310,733	1,153,310	944,586	208,803	5,512,107	4,543,893
EXPENDITURES:										
Debt service:										
Principal retirement	1,590,000		110,000	375,000	300,000	750,000		125,000	3,250,000	4,360,000
Interest			8,250	187,208	26,875	84,749	1,062,402	25,525	1,395,009	960,414
Payment to refunded bond escrow agent										596,000
Bond issuance costs										189,196
Miscellaneous expense					2,050				2,050	7,033
Total expenditures	1,590,000		118,250	562,208	328,925	834,749	1,062,402	150,525	4,647,059	6,112,643
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES										
	556,067	739	272,261	(204,850)	(18,192)	318,561	(117,816)	58,278	865,048	(1,568,750)
OTHER FINANCING SOURCES (USES):										
Refunding bond proceeds										19,725,000
Bond premium										1,514,753
Payment to bond escrow agent										(21,050,557)
Total other financing sources										189,196
NET CHANGE IN FUND BALANCES										
	556,067	739	272,261	(204,850)	(18,192)	318,561	(117,816)	58,278	865,048	(1,379,554)
FUND BALANCES (DEFICIT), beginning of year										
	(542,093)	856,496	(132,854)	301,950	33,860	(163,474)			353,885	1,733,439
FUND BALANCES (DEFICIT), end of year										
	\$ 13,974	\$ 857,235	\$ 139,407	\$ 97,100	\$ 15,668	\$ 155,087	\$ (117,816)	\$ 58,278	\$ 1,218,933	\$ 353,885

**OKEMOS PUBLIC SCHOOLS
CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
with comparative totals for June 30, 2003**

	1999 Technology fund	2003 Technology fund	Sinking fund	Energy bond fund	Totals	
					2004	2003
ASSETS						
Cash	\$	\$ 573,770	\$ 272,984	\$ 5,361	\$ 852,115	\$ 1,387,322
Due from other funds		10,528			10,528	17,636
	<u>\$</u>	<u>\$ 584,298</u>	<u>\$ 272,984</u>	<u>\$ 5,361</u>	<u>\$ 862,643</u>	<u>\$ 1,404,958</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$	\$	\$ 520,120	\$ 4,360	\$ 524,480	\$ 159,810
Fund balances (deficit):						
Reserved for capital outlay		584,298	(247,136)	1,001	338,163	1,245,148
	<u>\$</u>	<u>\$ 584,298</u>	<u>\$ 272,984</u>	<u>\$ 5,361</u>	<u>\$ 862,643</u>	<u>\$ 1,404,958</u>

**OKEMOS PUBLIC SCHOOLS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
with comparative totals for the year ended June 30, 2003**

	1999 Technology fund	2003 Technology fund	Sinking fund	Energy bond fund	Total	
					2004	2003
REVENUES:						
Local sources:						
Property taxes	\$	\$	\$ 1,491,450	\$	\$ 1,491,450	\$ 1,427,953
Interest on investments		5,663	3,452	898	10,013	8,935
Total revenues		5,663	1,494,902	898	1,501,463	1,436,888
EXPENDITURES:						
Capital outlay	1,641	396,844	1,862,942	138	2,261,565	1,411,588
Principal retirement				180,000	180,000	170,000
Interest				20,195	20,195	12,638
Total expenditures	1,641	396,844	1,862,942	200,333	2,461,760	1,594,226
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,641)	(391,181)	(368,040)	(199,435)	(960,297)	(157,338)
OTHER FINANCING SOURCES (USES):						
Proceeds from bond issuance						975,000
Transfers in				53,312	53,312	
Total other financing sources				53,312	53,312	975,000
NET CHANGE IN FUND BALANCES	(1,641)	(391,181)	(368,040)	(146,123)	(906,985)	817,662
FUND BALANCES, beginning of year	1,641	975,479	120,904	147,124	1,245,148	427,486
FUND BALANCES (DEFICIT), end of year	\$	\$ 584,298	\$ (247,136)	\$ 1,001	\$ 338,163	\$ 1,245,148

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
ELEMENTARY AGENCY FUND				
ASSETS				
Cash	\$ 46,230	\$ 219,956	\$ 198,830	\$ 67,356
Due from other funds	41,322		(1,579)	42,901
	<u>\$ 87,552</u>	<u>\$ 219,956</u>	<u>\$ 197,251</u>	<u>\$ 110,257</u>
LIABILITIES				
Due to student groups	<u>\$ 87,552</u>	<u>\$ 219,956</u>	<u>\$ 197,251</u>	<u>\$ 110,257</u>
BUSINESS OFFICE AGENCY FUND				
ASSETS				
Cash	\$ 43,236	\$ 138,174	\$ 126,506	\$ 54,904
Due from other funds	12,328		(1,005)	13,333
	<u>\$ 55,564</u>	<u>\$ 138,174</u>	<u>\$ 125,501</u>	<u>\$ 68,237</u>
LIABILITIES				
Due to student groups	<u>\$ 55,564</u>	<u>\$ 138,174</u>	<u>\$ 125,501</u>	<u>\$ 68,237</u>
MIDDLE SCHOOL AGENCY FUND				
ASSETS				
Cash	\$ 163,499	\$ 310,554	\$ 289,253	\$ 184,800
Due from other funds	3,135		(2,297)	5,432
	<u>\$ 166,634</u>	<u>\$ 310,554</u>	<u>\$ 286,956</u>	<u>\$ 190,232</u>
LIABILITIES				
Due to student groups	<u>\$ 166,634</u>	<u>\$ 310,554</u>	<u>\$ 286,956</u>	<u>\$ 190,232</u>

**OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2004**

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
HIGH SCHOOL AGENCY FUNDS				
ASSETS				
Cash	\$ 189,667	\$ 589,882	\$ 567,104	\$ 212,445
Due from other funds	(493)		(4,503)	4,010
	<u>\$ 189,174</u>	<u>\$ 589,882</u>	<u>\$ 562,601</u>	<u>\$ 216,455</u>
LIABILITIES				
Due to student groups	<u>\$ 189,174</u>	<u>\$ 589,882</u>	<u>\$ 562,601</u>	<u>\$ 216,455</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 442,632	\$ 1,258,566	\$ 1,181,693	\$ 519,505
Due from other funds	56,292		(9,384)	65,676
	<u>\$ 498,924</u>	<u>\$ 1,258,566</u>	<u>\$ 1,172,309</u>	<u>\$ 585,181</u>
LIABILITIES				
Due to student groups	<u>\$ 498,924</u>	<u>\$ 1,258,566</u>	<u>\$ 1,172,309</u>	<u>\$ 585,181</u>

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
ELEMENTARY:				
Bennett Woods:				
Contingency fund	\$ 14,200	\$ 37,970	\$ 30,437	\$ 21,733
Media	320	3,545	3,128	737
Central:				
Andrew Freeman	3,693	554	486	3,761
Book Fair - reading	2,596	17,305	16,750	3,151
Contingency fund	9,137	5,989	4,556	10,570
Field trip	1	3,200	3,225	(24)
5th Grade activity	106			106
Junior Great Books	166	1		167
Store - Spirit Shop	72			72
Student Council	1,279	561	1,352	488
Tech Ed	56		50	6
Vending	266	2,469	2,217	518
Cornell:				
Art	41	397	82	356
Book Fair - reading	13	5,326	4,142	1,197
Camp	3,724	17		3,741
Chorus	89			89
Contingency fund		1,145		1,145
Field trip	2,095	24,495	19,202	7,388
Lifetouch	1,117	350	1,000	467
Media		7,801	5,072	2,729
Office-Cornell	1,910	1,348	1,107	2,151
Visiting Authors	19	5,126	5,082	63
Yearbook	124			124
Edgewood:				
Camp	640		640	
Contingency fund	12,521		12,521	
Library	507		507	
Literacy	802	210	802	210
Special Needs Camp	502		502	

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
ELEMENTARY (Concluded):				
Hiawatha:				
Book Fair - reading	\$ 1,515	\$ 18,733	\$ 17,612	\$ 2,636
Camp fund	4,697	8,722	9,365	4,054
Contingency fund		656		656
Field trips	2,163	1,518	1,807	1,874
Greenfield Village	331	586	585	332
Media	5,679	15,284	13,159	7,804
Space Camp-Hiawatha	1		1	
Store	1,800	9,217	6,015	5,002
Student Council	3,530	3,580	3,169	3,941
Vending	676	1,408	161	1,923
Yearbook	692	4,439	4,783	348
Wardcliff:				
4th Grade-Wardcliff	246	678	683	241
Book Fair-Reading	1		1	
Camp	484	5,508	5,047	945
Chess	1			1
Chorus	1,443	1,458	1,624	1,277
Contingency Fund	3,251	19,632	9,390	13,493
Garden	958	4		962
Heiffer Project	1			1
IMC	3,064	8,459	9,051	2,472
Literacy		1,915	1,230	685
Spartan Program	1,018	243	596	665
Vending	2		2	
Wardcliff Families	3	107	110	
TOTAL ELEMENTARY	<u>\$ 87,552</u>	<u>\$ 219,956</u>	<u>\$ 197,251</u>	<u>\$ 110,257</u>
BUSINESS OFFICE:				
Community education equipment	\$ 1,488	\$ 7	\$	\$ 1,495
Community education office supplies		7,863	648	7,215
Community education - playground		457		457
Community education - scholarships		5,449	612	4,837
Contingency fund	368	2		370

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
BUSINESS OFFICE (Concluded):				
Don Skinner Memorial Fund	\$ 17	\$	\$	\$ 17
Interest-IMF & Checking	9,867	3,470	3,139	10,198
C.M.S.M.A.	273	741	734	280
Mark Moskal Memorial Fund	307	1		308
Michelle Smith Memorial	212		113	99
Miscellaneous	42			42
Nina Massa Memorial	5,805	1,031	500	6,336
Okemos Channel 64 - Ottinger	3,370	13,526	14,705	2,191
Parent Council	28			28
Sarah Doig Memorial	139			139
Senior Center	14,458	89,054	90,118	13,394
Special Needs Camp	15,250	14,470	13,517	16,203
Unclaimed deposits	3,669	2,102	1,415	4,356
Wellness	271	1		272
TOTAL BUSINESS OFFICE	\$ 55,564	\$ 138,174	\$ 125,501	\$ 68,237
MIDDLE SCHOOL:				
Chippewa:				
Andros Richter	\$ 678	\$ 5,436	\$ 2,068	\$ 4,046
Art	162		161	1
Athletics	2,947	2,184	4,301	830
Band	378	3,667	2,957	1,088
Cedar Point	649	8,762	8,961	450
Celebration account	98			98
Cheerleaders	25		25	
Chorus	2,380	1,673	793	3,260
Concession	730	2,437	3,051	116
Field trips		1,818	1,746	72
Fitness Lab Memorial	616	1	365	252
French	42	280	296	26
German	133			133
Guidance	506	2		508
Klick	202	395		597

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
MIDDLE SCHOOL (Continued):				
Chippewa:				
Morris/Pixley	\$ 329	\$ 1	\$ 146	\$ 184
Language Arts	393	1,739	2,132	
Locks - Phys Ed	487	89	465	111
Lugnuts	29			29
Fushion	1,394	181	32	1,543
MSJ	193	1,997	908	1,282
Media	139	43	50	132
Achieve	1,790	722	415	2,097
Miscellaneous	633	52	114	571
Music	2,357	7,141	6,373	3,125
Naganit	4,473	31,138	28,791	6,820
Officials	1,313	23,638	19,797	5,154
Paperback	1,456	2,911	2,474	1,893
Principal's Acct	16,767	12,935	12,879	16,823
Registration	3,397	7,322	275	10,444
Scholarship	810	2,209	1,120	1,899
Science	1,001	63	82	982
6th grade activity	1,599	683	1,858	424
Ski team	325	3,310	3,635	
Social studies	160	1,703	1,860	3
Spanish	244	748	992	
Store - Spirit shop	1,039	518	587	970
Student Council	154	23	22	155
Tech ed	250	1	79	172
Tetra camp	2,223	24,824	24,463	2,584
Kinawa:				
Theater	23,480	10,135	11,002	22,613
Tribute	1,012	5	22	995
Yearbook	793	7,520	7,514	799
Activity-Kinawa	875	3	375	503
Athletics	4,983	9,282	9,700	4,565

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
MIDDLE SCHOOL (Concluded):				
Kinawa:				
Band	\$ 610	\$ 4,543	\$ 4,177	\$ 976
Camp	90	20,419	19,497	1,012
Cedar Point	3,207	8,158	8,199	3,166
Chorus	2,368	4,655	4,905	2,118
Concession	7,336	5,048	3,764	8,620
 Counseling	 392	 1,002	 73	 1,321
Damaged books	7,438	3,021	1,259	9,200
Foreign language	133		133	
Grant-Barb Kissling	882	2	705	179
IMC	2,481	4,523	4,877	2,127
 Locks	 686	 88	 445	 329
Miscellaneous	2,242	1,196	963	2,475
Music	1,300	3,165	4,158	307
Officials	204	9,332	9,496	40
Scholarship	4,993	3,030	1,145	6,878
 Science Olympiad	 212	 453	 577	 88
Sunshine club	4	301	171	134
Student Council	6,718	6,747	4,846	8,619
Team 8-1	3,045	8,949	5,935	6,059
Team 8-2	2,336		2,336	
 Team 7-1	 771	 2,048	 660	 2,159
Team 7-2	1,041	589	1,630	
Team 6-1	1,458	2	1,310	150
Team 6-2	578	286	476	388
Team 6-3		522	235	287
 Team 6-4	 	 7,367	 6,482	 885
Tech Ed	81	97	32	146
Theater	9,944	6,508	5,432	11,020
Tournament	8,906	11,016	9,132	10,790
Vending	13,370	12,131	15,454	10,047
 Yearbook	 164	 7,765	 5,566	 2,363
 TOTAL MIDDLE SCHOOL	 <u>\$ 166,634</u>	 <u>\$ 310,554</u>	 <u>\$ 286,956</u>	 <u>\$ 190,232</u>

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
HIGH SCHOOL:				
Okemos High School:				
Action	\$	\$ 3,583	\$ 1,463	\$ 2,120
AP Exams	4,583	45,870	44,748	5,705
Appreciation dinner		86		86
Art Club	1,216	136	550	802
Asian American	18			18
 Athletic projects - Stolz	 2,651	 84,359	 80,330	 6,680
Athletic scholarship	474	616	585	505
Band	3,627	1,328	136	4,819
Bertrand spirit award		500	250	250
Capital Circuit League	31			31
 Ceramic	 16	 492	 337	 171
Chorus	5,239	7,396	7,000	5,635
Cinema Club	7			7
Class of 2002	542	1		543
Class of 2003	2,784	1,176	3,451	509
 Class of 2004	 1,492	 2,130	 2,131	 1,491
Class of 2005	3,846	17,266	13,695	7,417
Class of 2006	372	8,481	5,490	3,363
Class of 2007		658		658
Close Up Foundation	2,548	17,674	16,138	4,084
 Damaged books - Adm.	 21,061	 14,630	 15,099	 20,592
Damaged books - Band	13			13
Damaged books - Business	198	91		289
Damaged books - Choir	18			18
Damaged books - English	2,108	1,065	1,708	1,465
 Damaged books - Eng Ess	 177	 1		 178
Damaged books - Foreign Language	5,266	2,841	1,446	6,661
Damaged books - Life Skills	31			31
Damaged books - Math	7,317	1,703	1,480	7,540
Damaged books - Orchestra	1,313	6		1,319

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	Balance			Balance
	June 30, 2003	Additions	Deductions	June 30, 2004
HIGH SCHOOL (Continued):				
Okemos High School:				
Damaged books - Phys Ed	\$ 130	\$ 376	\$ 462	\$ 44
Damaged books - Science	3,900	3,267	1,706	5,461
Damaged books - Social studies	1,085	692	649	1,128
Debate Club	500	101	552	49
DeRath Memorial	1,862	8		1,870
Drama	318		318	
Earth science	197	1,200	1,279	118
Earth watchers	433	2		435
Energy grant	59			59
Entry fees	1	39,757	39,756	2
Faculty lounge	2,030	5,855	5,719	2,166
Field Trip - Morrison	5			5
Field trip	760	3	21	742
Field trip - Solomon	390	1,930	1,893	427
Forensics	4			4
French Club	19,261	2,667	4,669	17,259
German Club	576	2	484	94
German Exchange Program	105	26,428	26,271	262
Grant - Teachers	234	1		235
Greenhouse		3,701	1,990	1,711
Honor Society	1,060	11,316	11,433	943
IMC copier money	1,572	444	1,763	253
Johnson family scholarship	392	2		394
Key Club	288	1,689	1,849	128
Latin Club	262	1		263
Life Skills	7			7
Literary Magazine	1,732	2,684	2,887	1,529
Memorial Fund	87			87
Memorial Fund-Laurence	345	345	345	345
Model U.N.	159	646	680	125
Oakie Breakfast Club	2,191	875	681	2,385
Officials	2	59,548	59,526	24
OHS Basic Class	1			1
OHS Science Olympiad	21	921	894	48
OHS Touch of Class	23	8,415	8,413	25

OKEMOS PUBLIC SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY SCHOOL
YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
HIGH SCHOOL (Concluded):				
Okemos High School:				
Orchestra	\$ 374	\$ 1,964	\$ 1,932	\$ 406
Pals	1,600	761	679	1,682
HS Literary Club	28			28
Photo	704	1,084	1,098	690
Quiz Bowl		4,095	2,221	1,874
Radio Club	219	1,252	1,229	242
Reserve Student Council	4,707			4,707
S.A.D.D.	1,392	6		1,398
Sangam	271			271
School Newspaper-H.S.	1,664	4,689	4,749	1,604
S.E.E.D.		556	209	347
Seismic Station	1,623	8		1,631
Senior Volunteer Project	1,021	1,858	2,147	732
Shaw Festival Trip	1,176	5		1,181
Spanish Club	5,200	9,016	10,156	4,060
Sports Camp-Froelich	(75)	31,642	28,215	3,352
Students for Environmental Action	1			1
Store-Spirit Shop	490	36,611	35,184	1,917
Student Council	6,530	9,735	14,881	1,384
Swim Team - Boys	139	1		140
Swim Team - Girls	155			155
Tech Ed	5			5
Television	308	1		309
Theatrical	22,538	29,683	12,838	39,383
Traqvis Memorial	25			25
Water Polo	1,498	7		1,505
Yearbook	27,744	71,929	76,786	22,887
Young Democrats	2,274	11		2,285
Young Republicans	623	3		626
TOTAL HIGH SCHOOL	<u>\$ 189,174</u>	<u>\$ 589,882</u>	<u>\$ 562,601</u>	<u>\$ 216,455</u>
TOTAL - ALL AGENCY FUNDS	<u>\$ 498,924</u>	<u>\$ 1,258,566</u>	<u>\$ 1,172,309</u>	<u>\$ 585,181</u>

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004**

Date

August 22, 1991

Purpose:

The proceeds from the bonds will be used for the purpose of paying a part of the cost of erecting, furnishing and equipping a new high school, a new elementary school and a new bus maintenance building and acquiring sites therefore; partially remodeling and partially reequipping Kinawa Middle School and the existing high school for middle school and community education purposes; constructing, equipping and/or improving sites, outdoor physical education, athletic and playground facilities.

Type of bonds	Interest rate	Maturity date	Original principal
Capital appreciation (serial) bonds	7.0 - 8.35	2004 - 2006	<u>\$ 2,395,620</u>

Capital Appreciation (Serial) Bonds issued for \$2,395,620 (Face amount at maturity \$7,080,000) on August 22, 1991, the approximate yield of the bonds' appreciation ranges from 7.0% to 8.35%

Date	Appreciation	Payments	Appreciated value
05/01/04	\$	\$	\$ 3,710,763
11/01/04	153,102		3,863,865
05/01/05	159,417	1,925,000	2,098,282
11/01/05	86,573		2,184,855
05/01/06	90,145	2,275,000	

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004**

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
February 2, 1993	Capital appreciation bonds	Serial	<u>\$ 17,321,722</u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school bonds dated August 22, 1991 which bonds are due and payable in the years 2012 through 2021 and to pay the cost of issuance.

Capital appreciation (serial) bonds issued for \$17,321,722 (face amount at maturity \$80,225,000). On February 2, 1993, the approximate yield of the bond's appreciation ranges from 6.45% to 6.55%.

<u>Date</u>	<u>Appreciation</u>	<u>Payments</u>	<u>Appreciation value</u>
05/01/04	\$ 1,123,424	\$	\$ 35,618,287
11/01/04	1,159,969		36,778,256
05/01/05	1,197,743		37,975,999
11/01/05	1,236,761		39,212,760
05/01/06	1,277,066		40,489,826
11/01/06	1,318,642		41,808,468
05/01/07	1,361,587		43,170,055
11/01/07	1,405,934		44,575,989

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004**

<u>Date</u>	<u>Appreciation</u>	<u>Payments</u>	<u>Appreciation value</u>
05/01/08	\$ 1,451,748	\$	\$ 46,027,737
11/01/08	1,498,989		47,526,726
05/01/09	1,547,823		49,074,549
11/01/09	1,598,227		50,672,776
05/01/10	1,650,282		52,323,058
11/01/10	1,704,042		54,027,100
05/01/11	1,759,527		55,786,627
11/01/11	1,816,815		57,603,442
05/01/12	1,876,156	6,325,000	53,154,598
11/01/12	1,733,135		54,887,733
05/01/13	1,789,851	6,650,000	50,027,584
11/01/13	1,633,562		51,661,146
05/01/14	1,686,899	7,000,000	46,348,045
11/01/14	1,514,448		47,862,493
05/01/15	1,564,079	7,355,000	42,071,572
11/01/15	1,376,025		43,447,597
05/01/16	1,421,128	7,740,000	37,128,725
11/01/16	1,215,952		38,344,677
05/01/17	1,255,808	8,145,000	31,455,485
11/01/17	1,030,173		32,485,658
05/01/18	1,063,919	8,565,000	24,984,577
11/01/18	818,248		25,802,825
05/01/19	845,348	9,010,000	17,638,173
11/01/19	577,668		18,215,841
05/01/20	597,037	9,475,000	9,337,878
11/01/20	305,812		9,643,690
05/01/21	316,310	9,960,000	

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004**

Capital Appreciation (Serial) Bonds Issued for \$1,100,858 (face amount at maturity \$2,420,000)
on June 9, 1994, the approximate yield of the bonds' appreciation is 5.75%

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding bonds dated August 22, 1991 which bonds are due and payable in the years 2007 through 2011 and to pay the costs of issuance.

<u>Date</u>	<u>Appreciation</u>	<u>Payments</u>	<u>Appreciated value</u>
05/01/04	\$ 57,054	\$	\$ 2,041,502
11/01/04	58,695		2,100,197
05/01/05	60,379		2,160,576
11/01/05	62,117		2,222,693
05/01/06	63,902		2,286,595
11/01/06	65,737		2,352,332
05/01/07	67,668	2,420,000	

**OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004**

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
August 1, 1999	1999 refunding bonds	General obligation	<u>\$ 7,135,000</u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school building and site bonds dated August 22, 1991 which bonds are due and payable in the years 1992 through 2006 and to pay the cost of issuance.

<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2004	4.25	\$	\$	\$ 85,635	\$ 85,635
2005	4.35	340,000	85,635	78,240	503,875
2006	4.45	305,000	78,240	71,454	454,694
2007	4.55	395,000	71,454	62,467	528,921
2008	4.65	640,000	62,467	47,588	750,055
2009	4.70	2,025,000	47,588		2,072,588
		<u>\$ 3,705,000</u>	<u>\$ 345,384</u>	<u>\$ 345,384</u>	<u>\$ 4,395,768</u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
August 30, 1999	1999 school technology bonds	General obligation	<u><u>\$ 1,825,000</u></u>

Purpose: The proceeds from the bonds will be used for the purpose of acquiring and installing technology.

<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2004	4.30	\$	\$	\$ 6,987	\$ 6,987
2005	4.30	<u>325,000</u>	<u>6,987</u>		<u>331,987</u>
		<u><u>\$ 325,000</u></u>	<u><u>\$ 6,987</u></u>	<u><u>\$ 6,987</u></u>	<u><u>\$ 338,974</u></u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
October 23, 2001	2001 Energy bonds	Energy Bonds	<u><u>\$ 900,000</u></u>

Purpose: The proceeds from the bonds will be used for the purpose of conserving energy costs.

<u>Maturity date May 1,</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2004	3.40	\$	\$	\$ 6,730	\$ 6,730
2005	3.40	190,000	6,730	3,500	200,230
2006	3.50	<u>200,000</u>	<u>3,500</u>		<u>203,500</u>
		<u><u>\$ 390,000</u></u>	<u><u>\$ 10,230</u></u>	<u><u>\$ 10,230</u></u>	<u><u>\$ 410,460</u></u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
March 4, 2002	2002 Refunding bonds	General obligation	<u>\$ 4,920,000</u>

Purpose:

The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school refunding bonds dated April 20, 1992 which bonds are due and payable in the years 2004 and 2008 and to pay the cost of issuance.

<u>Maturity date May 1,</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2004	2.625	\$	\$	\$ 32,531	\$ 32,531
2005	3.000	610,000	32,531	23,381	665,912
2006	3.250	670,000	23,381	12,494	705,875
2007	3.625	390,000	12,494	5,425	407,919
2008	3.875	<u>280,000</u>	<u>5,425</u>		<u>285,425</u>
		<u>\$ 1,950,000</u>	<u>\$ 73,831</u>	<u>\$ 73,831</u>	<u>\$ 2,097,662</u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
March 4, 2003	2003 Refunding bonds	General obligation	<u><u>\$19,725,000</u></u>

Purpose: The proceeds from the bonds will be used for the purpose of refunding a portion of the School District's outstanding school refunding bonds dated June 9, 1993 and February 1, 1994 which bonds are due and payable in the years 2004 through 2019 and to pay the cost of issuance.

<u>Maturity date May 1,</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2004	2.000	\$	\$	\$ 458,591	\$ 458,591
2005	2.000	240,000	458,591	456,191	1,154,782
2006	2.000	290,000	456,191	453,291	1,199,482
2007	2.625	430,000	453,291	447,647	1,330,938
2008	4.750	2,885,000	447,647	379,128	3,711,775
2009	4.750	2,640,000	379,128	316,428	3,335,556
2010	4.750	5,255,000	316,428	191,622	5,763,050
2011	5.000	5,875,000	191,622	44,747	6,111,369
2012	4.250	215,000	44,747	40,178	299,925
2013	4.250	275,000	40,178	34,334	349,512
2014	4.000	305,000	34,334	28,234	367,568
2015	4.125	335,000	28,234	21,325	384,559
2016	4.250	335,000	21,325	14,206	370,531
2017	4.375	310,000	14,206	7,425	331,631
2018	4.400	225,000	7,425	2,475	234,900
2019	4.500	110,000	2,475		112,475
		<u><u>\$ 19,725,000</u></u>	<u><u>\$ 2,895,822</u></u>	<u><u>\$ 2,895,822</u></u>	<u><u>\$25,516,644</u></u>

OKEMOS PUBLIC SCHOOLS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
BONDED DEBT SERVICE - PRINCIPAL AND INTEREST REQUIREMENTS
JUNE 30, 2004

<u>Date</u>	<u>Name</u>	<u>Kind</u>	<u>Original issue</u>
May 1, 2003	2003 school technology bonds	General obligation	<u><u>\$ 975,000</u></u>

Purpose: The proceeds from the bonds will be used for the purpose of acquiring and installing technology.

<u>Maturity date</u>	<u>Interest rate</u>	<u>Principal due May 1</u>	<u>Interest due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2004	2.50	\$	\$	\$ 11,200	\$ 11,200
2005	2.50	150,000	11,200	9,325	170,525
2006	2.60	175,000	9,325	7,050	191,375
2007	2.60	225,000	7,050	4,125	236,175
2008	2.75	300,000	4,125		304,125
		<u><u>\$ 850,000</u></u>	<u><u>\$ 31,700</u></u>	<u><u>\$ 31,700</u></u>	<u><u>\$ 913,400</u></u>



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Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Okemos Public Schools
Okemos, Michigan

August 20, 2004

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okemos Public Schools as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the District and have issued our report thereon dated August 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Okemos Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okemos Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Okemos Public Schools in a separate letter dated August 20, 2004.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan & Ellis, P.C.



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August 20, 2004

To the Board of Education
Okemos Public Schools
Okemos, Michigan

In planning and performing our audit of the financial statements of Okemos Public Schools for the year ended June 30, 2004, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 20, 2004, on the financial statements of Okemos Public Schools.

Government Accounting Standards Board (GASB) Statement #40 "Deposit and Investment Risk Disclosures"

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

The District should review its investment policies to determine all common risks areas are identified and the appropriate level of risk of each area is quantified.

Financial Information Database (FID) Filing

The Center for Educational Performance and Information (CEPI) is preparing for the implementation of a new upload application/database for financial reporting for school districts in Michigan. This new application/database is called the Financial Information Database (FID). This submission is due November 15, 2004. The EDN/Form B submission process has been eliminated and is no longer available. We strongly recommend your filing be done earlier this year to ensure all changes have been accepted. The penalty for late filing is withholding of your state aid by the state of Michigan.

Accounting Department Turnover

During the fiscal year ended June 30, 2004 the business office experienced significant turnover. Due to the restructuring several procedures changed during the year.

In February 2004, the District contracted with an outside consultant to review controls and procedures in the business office to ensure effective and efficient procedures and policies are in place. The District has begun to implement recommendations outlined in the consultant's report. We encourage the District to continue to implement the items outlined in the consultant's report.

Increase Employee Fidelity Bonds

In general, internal controls are designed to safeguard assets and help prevent losses from employee dishonesty. However, the cost of maintaining internal controls sufficient to prevent all such losses would be prohibitive. Accordingly, insurance such as fidelity bonds, may be a practical, relatively inexpensive supplement to internal controls. The following types of coverage are available:

- Scheduled bond – used where the employer needs to cover only certain named employees.
- Blanket bond – covers all employees, including automatic coverage for new employees.
- Position bond – covers specific positions rather than certain named employees.

We recommend the School District consider increasing its fidelity bond insurance coverage from its current coverage of \$50,000 to at least \$500,000 if available.

Segregation of Duties

The District should continue to review its accounting policies and procedures to strengthen internal controls in accounting and processing payroll, accounts payable and cash receipts transactions. Internal controls are most effective when duties are segregated between the record keeping function and physical processing and custody of cash or checks. When small office staff size does not permit adequate segregation of duties, contemporaneous supervisory review of the transaction is a mitigating control.

We recommend the separation of the maintenance of the employee payroll electronic file from the person who routinely processes the payroll.

Student Activity Funds

Funds collected from students for school activities should be deposited in a school agency fund for safekeeping.

Deficit in Fund Balances

At June 30, 2004, the capital projects sinking fund had a deficit of (\$247,137) due to the collection of revenues under funds expended in the current year. The deficit should be monitored and adjusted through a reduction of 2005 expenses as compared to 2005 property tax collections. The debt service fund for the 2003 refunding bond has a deficit of (\$117,816) due to the initial interest payment being in excess of property taxes collected. The deficit should be monitored and future tax levies should be adjusted to eliminate future deficits.

Accounts Payable Process

At present, accounts payable are processed one to three times a month. Invoices are keyed into the system prior to check run. We recommend that invoices be keyed upon receipt and that a recurring payment-processing schedule with established dates for payments be established. Keying invoices upon receipt will provide management with information necessary for analyzing current obligations in order to effectively use the district's funds. Having an established payment schedule will assist in making timely payments and possibly eliminate the need for obtaining the annual short-term State Aid Anticipation

Food Service Student Accounts

Students at the middle schools and high schools charge their lunches and are sent a bill at the end of each month. Food service management estimates the food service secretary spends fifty percent of her time on billing and collections of the student accounts. The District should consider performing a cost benefit analysis to determine if prepaid debit accounts at the middle schools and high school would decrease the billing and collection costs by an amount greater than any lost profit due to possible decreases in food sales.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Okemos Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

To the Board of Education
Okemos Public Schools

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August 20, 2004

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamey Costeniser & Ellis, P.C.



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August 20, 2004

To the Board of Education
Okemos Public Schools
Okemos, Michigan

We have audited the financial statements of Okemos Public Schools for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Audit Standards

As stated in our engagement letter dated May 18, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Okemos Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Okemos Public Schools' compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Okemos Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by the Okemos Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was for compensated absences and the depreciable lives of capital assets. Certain allocations on the statement of activities allocating operating grants between instruction and support services have been used in preparing this statement.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Okemos Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Okemos Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Okemos Public School's financial reporting process. Numerous journal entries were posted, in most instances management was aware that entries were required.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Okemos Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Education
Okemos Public Schools
Okemos, Michigan

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August 20, 2004

8. Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of Okemos Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.